

Goals and Priorities for 2004

Colorado River Water Conservation District

*The following outline
will be updated on a regular basis in 2004.*

January 20, 2004
Revised February 5, 2004
Updated April 7, 2004
Updated July 8, 2004
Updated October 6, 2004
(Updates in Bold)

I. ORGANIZATIONAL

A. Hold a Board Workshop to Review Policies and “Envision” the Future Role of the Colorado River Water Conservation District.

1. What role will water policy play in shaping the future of the River District?
2. What is the River District’s long term plan to address West Slope water needs?
3. What are the threats and obstacles to achieving our mission?
4. What resources do we need to accomplish our mission (personnel, financial, water rights and water facilities?). What goals should receive a lower priority because of resource constraints?
5. What are the key Board/organizational and governance issues? How should these issues be prioritized?
6. From the 1930s through the 1970s, the Federal Government played a major role in financing water projects. The federal financing package included large federal subsidies. What is the new model for project financing? Will it include subsidies, is so, from what source?

April 2004 Update

The Board workshop has been set for May 13th and May 14th in Ridgway. President Mathis will be hosting a dinner for Board and staff on Thursday evening in Montrose. I propose starting the meeting late morning on the 13th and ending shortly after lunch on the 14th. The meeting will be facilitated and staff participation will be limited to department heads only.

July 2004 Update

The workshop was held as scheduled on May 13th and May 14th. I believe the meeting was productive, but clearly, the workshop was just the start of a longer process and dialogue among the Board, staff and District constituents that will guide the future direction of the District. I believe there is complete agreement that the Board adopt proactive policies and programs to meet its core mission objectives of safeguarding Colorado’s Colorado River Compact entitlement and meeting the present and future water needs of its constituents.

There are a number of followup actions from the workshop that are scheduled for discussion at the July meeting:

- draft “vision statements” addressing compact issues and operations of the Enterprise.
- a generic discussion of funding options.
- the ad hoc policy committee will make a report to the Board.
- a discussion of alternative grant program expenditure options.

October 2004 Update

At the October meeting, the Water Supply Projects Committee will be making a recommendation on how to structure the grants program for 2005. I also hope to continue the discussion of the two draft vision statements.

B. Continued Implementation of GASB-34, Improved/Streamlined Information.

1. Second year of Management Discussion and Analysis report (need feedback on report format).
2. Continue to refine long term Enterprise financial analysis.
3. Discuss and refine role/use of the River District Capital fund:
 - a) Should we reevaluate the goals of the grants program?
 - b) The total funds available to the Capital fund are continuing to grow, but this may not continue into the future.
 - c) Should a portion of the Capital fund be used to acquire water assets that the Enterprise cannot justify purchasing?

April 2004 Update

The agenda includes a review of the draft audit. Our plan is to submit the audit to the Board as a draft at the April meeting. I propose having an Executive Committee meeting in June to discuss the final audit and MD&A letter in more detail. Our new auditor and Treasurer Steve Lampman would participate in this meeting. Recall that in 2002 the Board assigned the Executive Committee a financial management overview role.

July 2004 Update

The Executive Committee met on June 18th in Glenwood Springs. The committee agenda included a detailed discussion of the 2003 audit with Paul Holscher and a discussion of financial procedures with the staff and Treasurer. President Mathis will be making a report to the Board, including recommended actions, as a separate agenda item.

October 2004 Update

At the July meeting, the Board approved the financial policy changes recommended by the Executive Committee and directed staff to prepare changes to the bylaws consistent with the new policies. The bylaw changes will be on the October agenda. The October agenda will also include budget hearings for adoption of the proposed 2005 budgets.

We have a new accountant on staff. Mary Giorgio began work in September. Mary filled Cheryl Dunlap's position after her resignation in early July.

C. Education and Outreach Activities.

1. Implementation of second year of the public outreach program. Our goals are to raise awareness of water issues among River District residents and improve name recognition.
2. Continued publication of River District "bylines"/"H₂O" pieces in newspapers.
3. Continue board member and staff involvement in local forums.
4. What is the metric for evaluating the progress of our education and outreach programs? When do we conduct another survey?
5. Can we reach the new residents of the West Slope that don't have an economic interest in water other than municipal use?
6. Publication of an annual report will provide us with another tool for education and district name recognition.

April 2004 Update

The Information and Outreach Committee met on March 17th and approved committee priorities for 2004. The Committee's primary focus is on name recognition. With 2004 shaping up to be a dry year, we should also focus on the role of storage and conservation. The continuing dry conditions will also

give us an opportunity to educate the public on the compact roles of the Colorado River storage units: Flaming Gorge, Powell, Aspinall and Navajo.

July 2004 Update

Chris Treese will report on the District's education efforts during the public affairs agenda item. Our summer education efforts are up and running. I've been making a number of presentations on Colorado River compact issues. The presentation is primarily what I presented to the Board on May 13th. So far, I've made presentations to AWRA, the Northwest COG QQ Committee, the Yampa Valley Partnership, the Grand Valley Water Users Association Board, (GVWUA invited the GVIC, Palisade and Orchard Mesa board members to attend) and the Ute Water Conservancy District Board. I have a meeting with the Clifton Board in early August.

October 2004 Update

The Information and Outreach Committee will be meeting on Tuesday morning before the Board meeting. Recognizing our limited resources, I've been pleased with our public information progress in 2004. The seminar in Grand Junction was a big success. Almost all of the feedback comments were very positive.

I'm still concerned about how to reach and educate the average River District resident that is only remotely interested in water issues (other than paying reasonable rates for high quality tap water).

The water community continues to be very interested in hearing about Colorado River Compact and drought issues.

7. "State of the River" meetings in Grand County, Summit County and the Roaring Fork Valley, would this forum work elsewhere?

April 2004 Update

The annual river operations meetings have been set. The Summit County (Blue River) meeting will be held on May 11th in Frisco at 6:30 p.m. The Grand County (Upper Colorado) meeting will be held on May 12th in Sol Vista at 6:30 p.m. The Roaring Fork meeting will be held on May 4th, time and location to be determined.

D. Personnel/Human Resources Implementation.

1. Implementation of minor changes to compensation program. Update salary survey every three years; next is due in 2006.
2. In January we are submitting a proposal to the Board to consider approval of a retiree health contribution plan. The concept is to provide a retirement option with minimal exposure or personnel cost to the River District.

April 2004 Update

We had a discussion of the proposed retiree health savings plan at the January board meeting. The consensus of the Board was that it is a good idea, but it needs to be designed as cost neutral to the District. Laura Hines and I would like to discuss some more details with the officers and possibly the Executive Committee before bringing a definitive proposal to the Board at the July meeting.

July 2004 Update

Laura Hines and I discussed details of the retiree health plan with the Executive Committee on June 18th and received guidance on a recommendation which is included in the Board packet and will be discussed under the Executive Committee report.

October 2004 Update

The Board approved the Executive Committee recommendations for the retiree health plan in July. The program will be implemented by the end of calendar year 2004.

3. We need to continue to focus on staff training and development, our engineers are also facilitators and negotiators. Our legal staff must be water supply, water quality and general contract experts. All of the staff needs a good understanding of what we do and why.

E. River District Administration: We have a number of ongoing projects:

1. Upgrading our computer network capabilities.
2. Replace our (17 year old tin cans and string) phone system.

October 2004 Update

We will have our new phone system installed and operating, perhaps by the end of the Board meeting week.

3. Continue implementation of our records management plan.

- a) Implementation of Worksaver.
 - b) Contract Database.
 - c) External Affairs.
4. Get a better handle on how we “manage” risk, especially with contracts, insurance requirements, liability - make a recommendation to the Board at the April meeting.

April 2004 Update

This effort is still in progress. We’ll have a discussion with the Executive Committee or the Board in July.

July 2004 Update

We’ve begun the dialogue with our risk consultant, a more detailed discussion and dialogue with the Board would be appropriate at the September budget workshop.

5. Sale of Lot 4.

April 2004 Update

The sale of the Glenwood lot has closed. This effort has been completed.

II. INTERSTATE COLORADO AND NATIONAL ISSUES

A. Continued Participation in Colorado River Interstate Issues.

The focus of the Colorado River Basin is turning toward drought related issues. Two very significant and controversial issues are the need for the development of shortage criteria for Lake Mead and the operation of Lake Powell as it approaches minimum power pool.

- 1. Continue our participation in Upper Colorado River Commission activities, actively participate in the development of the annual Colorado River annual operating plans (aop).
- 2. Continue to participate in the coalition that is sponsoring Jim Lochhead’s participation in Lower Basin activities. The focus in 2004 should be Lake Powell operations.

July 2004 Update

The coalition has collectively decided to hire Ben Harding to help us critique Reclamation’s modeling efforts and conduct independent modeling. I

discussed this effort with the Executive Committee in June and received strong support. I've offered that the River District could be used as the contract manager.

October 2004 Update

The modeling work is finally underway. The River District will not be a contracting entity. The Hydrosphere contract will be directly with Jim Lochhead's firm (Brownstein, Hyatt). The first phase of the modeling will be limited (\$25K cap). I suspect that the modeling effort will be expanded in 2005.

3. Keep mainstem Colorado River issues on the forefront of the River District constituency. Even within the Colorado water community, there is only a superficial understanding of the role of the major CRSP storage reservoirs and Colorado River compact issues in general.
4. Continue to participate in Colorado River Basin salinity control and selenium task force effort. The recent drought has exacerbated existing salinity problems. Continued drought conditions will raise new challenges, including the potential violation of water quality standards under the Mexican Treaty (minute 242).

April 2004 Update

The April 1st forecast for total inflow to Lake Powell for the April to July period is now only 4.1 million acre feet. In a dry year, the non-runoff period (August-March) inflow to Lake Powell is typically about 2.5 to 2.8 million acre feet. Demands in 2004 will continue to be about 8.6 million acre feet (8.23 maf for Lower Basin deliveries and .4 maf evaporation). This means that Lake Powell will continue to be drawn down by another 1.7 to 2 million acre feet.

Colorado and the other Upper Basin states need to be concerned with the implications of reservoir storage levels so low. There are a number of serious and unresolved compact issues that need to be carefully investigated.

July 2004 Update

With only a month to go (July), the 2004 April to July forecast is now 3,475,000 a.f or 43% of normal. The latest 24 month study projects that Lake Powell will reach a low point of 8.2 million acre feet (3,560' msl) next April (2005). Reclamation and Western Area Power Administration are now openly discussing the possibility (possibly as high as 35%) that Lake Powell could drop below minimum power by 2007. The minimum power elevation is 3,490' msl, but power production becomes problematic at about 3,510 msl or about 6 million acre feet of storage.

At the recent Upper Colorado River Commission (UCRC) meeting, the WAPA Regional Manager stated that the financial impacts of dropping Lake Powell below minimum power would be “catastrophic.” The financial impacts include the loss of Reclamation’s project operations budget, the WAPA operating budget, environmental programs and a high cost of replacement power to CRSP customers.

October 2004 Update

The Lake Powell and Colorado River Compact issues continue to command a lot of attention. Based on the most recent 24 month study (September 2004), storage in Lake Powell will bottom out at about 7.7 million acre feet (or 31% full) in April 2005. The concerns that Lake Powell may drop below minimum power are still very real.

Dave Merritt, Peter Fleming and I all participate on the UCRC legal and engineering committees. We have had a number of meetings in the last three months.

B. Continued Participation in National Water Forums.

We are primarily participating in three organizations.

1. Chris Treese is active in WESTCAS, which focuses on western water issues including water quality.
2. Both Chris and I have been active in NWRA. Chris is now a member of the Board of Directors (from Colorado). NWRA’s principle benefit has been as a forum to address common Reclamation issues such as contract administration, contract items and meeting with key federal agency and Congressional personnel.
3. We are continuing to be a member of the National Endangered Species Reform Coalition (NESARC). NESARC’s recent focus has been more on administrative reform than federal legislative changes.

October 2004 Update

Chris Treese and I will be attending this year’s annual NWRA meeting in mid-November. We’re attempting to get on Commissioner Keys’ meeting schedule. Traditionally, the Commissioner and RDs set aside a couple of full days to meet with projects/groups (5 to 10 minutes each).

C. Participation in Other Forums.

Continued participation in the Water 2025 Initiative and other forums that address basic hydrology, climatology and water (civil) engineering issues. There is a lot of concern in the science community about the potential long term impacts of climate variability on critical watersheds such as the Colorado River Basin.

III. STATEWIDE (INTRASTATE) COLORADO RIVER ISSUES

A. 2004 Colorado General Assembly Session.

Our legislative priorities include possible basin-of-origin legislation, budget issues that will affect the State Engineer's Office, the CWCB construction fund bill will include a loan for Elkhead Reservoir and there will be several bills creating a South Metro Area groundwater management or conservation district. Our staff priorities are good communications among staff, district lobbyist, board members and key constituent groups. Basin-of-origin legislation could be a divisive issue among certain West Slope groups.

October 2004 Update

In late July, the River District hosted the Legislative Interim Committee tour for lunch. Chris is already gearing up for the 2005 General Assembly. Because of term limits and retirements, the West Slope is going to have a number of new legislators.

B. Statewide Water Supply Initiative Study Process.

Our priorities are to use the effort to help identify local basin projects and where there is strong local support, develop new management initiatives (e.g. a Gunnison River water bank) and partnerships. This is still an unknown question as to whether or not SWSI will propose any statewide water projects or new transmountain diversions. Additional information on SWSI is included within each basin.

April 2004 Update

Rick Brown will be attending the River District Board meeting to address SWSI issues. On Monday, April 5th, the River District and CWCB staff met to discuss a number of SWSI issues, including Yampa River demands and Colorado River consumptive-use assumptions.

July 2004 Update

Due the conflicting CWCB meeting, Rick Brown will not be making a presentation at our July meeting. Dan Birch is preparing a status memo. The bottom line is that not much has happened since our April meeting. The study contractor is crunching numbers and preparing drafts for the next round of meetings. At a recent meeting in Grand Junction, Governor Owens suggested intrastate compacts between basins.

C. Endangered Species Issues.

Continue our leadership role in addressing endangered species issues. We need to finalize the reports on the Recovery Program science we've independently sponsored and do what we can to insure it influences Recovery Program decisions. Within the Upper Colorado River Basin Program, non-native species control has become a major issue.

Completion of PBOs remains a high priority. The Yampa Basin PBO should be completed soon, but major questions remain concerning the Gunnison River and "other tributary" PBOs.

April 2004 Update

The relationship between the Aspinall Unit EIS and the Gunnison Basin PBO remains an unresolved (or unclear) issue. The River District addressed this issue in our scoping comments.

The Interior Solicitor's Office has ruled that the proposed MOU among the Colorado Water Conservation Board, U.S. Fish & Wildlife Service, Bureau of Reclamation and possibly the River District which addresses the Gunnison Basin PBO is not legal. It could be considered a "pre-decisional commitment."

Tom Pitts is now working on a letter from Ralph Morganweck and Rick Gold outlining the Service's and Reclamation's commitments to the completion of the Gunnison Basin PBO.

July 2004 Update

The Yampa River Basin PBO is now scheduled for release in August. There has been no public progress on the status of the Gunnison PBO.

October 2004 Update

The U.S. Fish & Wildlife Service has issued a working draft of the Yampa River Basin PBO. The River District and Recovery Program's water users representative, Tom Pitts, have both provided comments. We expect that the Service will issue another draft later this month and finalize the opinion by the end of November.

There have been no additional discussions or meetings concerning the Gunnison River Basin PBO. Reclamation and the Western Area Power Administration (WAPA) are still trying to resolve their differences over the Aspinall Unit EIS. This has slowed down the EIS process. Reclamation will be scheduling the first cooperating agency meeting for late October or early November.

There are still major scientific questions to address. What has been the impact of the drought on listed species populations? The proper operation of fish screens is clearly an important issue.

Within the Platte River, the Endangered Species effort has been “on hold” pending a NAS review of the science, but the issues are far from resolved. Two important questions to the West Slope are whether or not Platte River endangered species concerns will prevent Colorado from using water still available to the State under the Platte River compact and/or present transmountain diverters from fully reusing transmountain return flows and effluent.

April 2004 Update

We’re currently reviewing the Platte River Recovery Program Draft EIS. Comments are due in early June. Successful implementation of the Platte River Program is actually very important for the West Slope (and Colorado River). A number of proposed projects will be dependent on a future program. These projects include Aurora’s Platte River Project, Denver Water’s recycle plant (the first of which is built), Northern’s Northern Integrated Supply Project and the Platte River portion of a future conjunctive-use project. All of these projects either develop new Platte River water or further develop available reusable water. Therefore, if these projects cannot be developed, it will result in much more pressure for additional transmountain diversions.

July 2004 Update

The DEIS comment period has been extended until late August to give the public a chance to review both the DEIS and the recently published National Academy of Sciences (NAS) peer review of the U.S. Fish & Wildlife Service’s science which has been used to formulate the program goals.

The reports we’re hearing from Colorado water users are that the NAS peer review has given the Service science an “A-.” The environmentalists are pleased with the report and various Nebraska water user groups are now blaming each other for asking for the study.

October 2004 Update

The River District has provided comments on the draft EIS. Our primary concern is that the DEIS ignores the contribution of flows to the Platte River by transmountain diversions. This is not a straightforward issue. Under the option of a negotiated program, Colorado “guarantees” that flows on the Platte River (at the border with Nebraska) will INCREASE with population growth, in part because of additional transmountain diversions and the change of C-BT shares

from agricultural to municipal uses. However, the “no program” may be just as bad because the Service could require no depletions of the 1997 baseline which would make additional reuse more difficult.

D. Colorado Foundation on Water Education.

Continue our full support of the Colorado Foundation on Water Education. At the October 2003 Board meeting, we had a presentation from Foundation Director Karla Brown. The foundation is planning a tour of the Upper Basin during the summer of 2004. The River District will be an active participant.

April 2004 Update

The Upper Basin tour has been scheduled for June 23rd to June 25th. Let us know if you would like information on the tour.

E. Colorado Water Quality Control Commission.

We will have continued participation in Colorado Water Quality Control Commission (CWQCC) hearings and activities. In 2004, there are two main areas of focus.

1. The CWQCC will be reviewing and issuing a revised 303 D list (list of impaired streams). It is possible that the Colorado River mainstem below Grand Junction may be on the list of impaired streams because of violation of the selenium standards. The River District staff is continuing to participate in the Uncompahgre Valley and Grand Valley selenium forums.
2. A review of the basic standards and criteria. Dave Merritt and Jill McConaughy are participating in the basic standard workgroup. The workgroup may need to address the issue of “biocriteria.” Our goal remains making decisions based on good science and adequate data. Our USGS cooperative program is a valuable resource.

IV. COLORADO RIVER BASIN DIVISION 5 PRIORITIES

A. Negotiations with Front Range Entities.

We’re involved in four separate, but intertwined, negotiations with Front Range entities:

1. Grand County.

The Fraser River Basin in Grand County is already heavily impacted by a combination of in-basin development and out-of-basin diversions. The UPCO

study has identified a future in-basin demand for up to 2,500 a.f. for municipal and industrial uses and another 5,000 to 6,000 a.f. for environmental use, primarily water quality purposes.

- a) Northern Colorado Water Conservancy Municipal Subdistrict has applied for Bureau of Reclamation approval of the Windy Gap Firming Project. Reclamation has already triggered the NEPA process.
- b) Denver Water has initiated a Corp of Engineers EIS for its North End Firming Project.
- c) The UPCO study process has completed its first phase III report, which identified possible water supply solutions. The UPCO participants are currently working on an expanded phase III report which will focus on a Ranch Valley Project. The River District will be the study manager.
- d) The River District, Middle Park Water Conservancy District and Grand Valley entities have filed suit in Federal District Court concerning the allocation of the Heeney slide operational limitations to the West Slope's 100K pool.
- e) There are a number of unresolved Green Mountain Reservoir accounting issues that need to be resolved. At one time, the Division 5 SWAT effort was addressing these issues, but after the Heeney slide litigation was initiated, Reclamation refused to attend these meetings.

April 2004 Update

The Bureau of Reclamation has approved Grand County's participation in the Windy Gap Firming Project EIS as a cooperating agency. However, the Corps of Engineers has denied Grand County as a cooperating agency for Denver's Moffat System Firming Project EIS. Denver Water and Grand County are now negotiating a process MOA. The details of this MOA are still being filled in. It is becoming abundantly clear that reaching a "win-win" solution that addresses Grand County's water and environmental/water quality needs is going to be very challenging. The April Board meeting agenda includes Board consideration of our participation in further technical studies on a Ranch Valley Project alternative.

July 2004 Update

The Corps of Engineers has given Grand County a consolation prize by designating it as a “consulting” agency. The discussions between Denver Water and the Grand County entities (which includes the Grand County BOCC) are continuing, but I’m not sure if progress is being made. For the first time in its current operational history, Denver Water chose to reduce its summer bypass flows to winter levels at its Fraser River diversions. We believe that the primary motivation for this was more political than hydrology based. 2004 is a dry year, but Denver’s system storage is still greater than 85% and there have been a number of years in the past that have been drier when Denver did not reduce its summer bypass flows.

We will be presenting more information in the UPCO portion of the project status agenda item and the General Counsel’s report.

October 2004 Update

Denver Water originally planned to make a decision on its preferred Moffat System Firming Project in January or February of 2005. They now believe the decision won’t occur until the end of 2005 or early 2006 (about a one year delay).

The UPCO phase III Grand County process is continuing, but project alternatives are very limited. The Ranch Valley Reservoir alternative has been eliminated because of fen wetlands and a very high cost. We’re going to take a more detailed look at a small reservoir on the mainstem of the Fraser River (referred to as Idlewild), but the most realistic alternatives remain firming Denver’s bypass flows and the possible purchase of Vale Ditch shares.

As a part of the Windy Gap Firming Project EIS process, Northern is continuing to look at additional Grand County reservoir sites to store Windy Gap water. They are even looking at sites south of the Windy Gap pumping plant.

2. Summit County.
 - a) River District, Summit County and Denver Water staff are meeting on a monthly basis to address Blue River Decree issues.
 - b) The Summit County Manager’s office is taking the lead on convening Summit County water providers to examine solutions to the shortages

identified in UPCO phase II. The River District staff will provide support.

- c) The River District and Colorado Springs Utilities (CSU) have filed applications in the Division 5 Water Court and Federal Court to adjudicate the CSU substitution. CSU has notified Reclamation requesting that it initiate NEPA to approve the agreement at the federal level.
- d) In a separate application, CSU has filed to adjudicate exchanges (not a substitution) to its Blue River diversions. These exchanges would be junior to Denver's exchanges under the Blue River Decree. Some aspects of the exchange application may be problematic to the West Slope, such as the proposed use of Wolford Mountain Reservoir.

July 2004 Update

We're participating in the Summit County Water Forum process and working with Summit County and the Town of Dillon to make further technical studies of the potential enlargement of the Old Dillon Reservoir (including the collection system and water rights). More information will be provided during the General Counsel's report and the Enterprise project status section.

October 2004 Update

We've initiated an UPCO phase III (solutions) Summit County study. The study sponsors are the River District, Denver Water, Middle Park and the Clinton Reservoir Company. The study will cost about \$50,000. Boyle Engineering has been selected as the study consultant. The study should be completed by the end of November.

The study will examine several project alternatives, including a pumpback system from the Blue River below Silverthorne and reservoir storage on the Swan River.

3. Eagle County.

- a) The Eagle River MOU parties have been meeting to address potential projects under the Eagle River MOU. In late 2003, the parties agreed to a study of Wolcott Reservoir. The River District is the study manager.

- b) The River District is an active participant in the Eagle Park Reservoir Company. The Reservoir Company Board meets about 5 to 6 times per year. The River District Enterprise is in need of additional Eagle River water supplies. Its existing supply is fully subscribed. The Reservoir Company has several water rights applications pending.
- c) The River District is working with Eagle County to address other water supply issues within the county. Bolts Lake is a potentially attractive option.
- d) Three Eagle County entities (Vail Resorts, Upper Eagle Regional Water Authority and Eagle River Water & Sanitation District) have filed an application to adjudicate return flows from existing transbasin diversion supplies out of the Yampa River into the Colorado River (Egeria Creek).

April 2004 Update

We're very close to completing an agreement with Aurora to provide the Eagle River Basin with another 500 a.f. of Homestake Reservoir water. The River District Enterprise share will be 125 a.f. During its April 1st conference call, the River District (Enterprise) Board approved in concept the agreement. As of the preparation of this report, Aurora was addressing management/accounting issues with Colorado Springs.

July 2004 Update

The 500 a.f. supplemental exchange agreement has been signed. The marketing of this water will be the subject of an Enterprise agenda item. The Enterprise agenda will also include a briefing on the recently completed Wolcott Reservoir feasibility study.

October 2004 Update

All of the documents necessary to implement the 500 a.f. supplemental exchange agreement have now been executed. Under the exchange agreements, each of the four shareholders in the Eagle Park Reservoir Company, River District, Eagle River Water & Sanitation District, Upper Eagle Regional Water Authority and Vail Resorts each provide its replacement water. The River District uses WOLFORD Reservoir supplies. The other three entities are currently using their Green Mountain Reservoir contract water until the Flattops water becomes available. This year Reclamation has ruled that to use the Green Mountain contract water as replacement water for the

Homestake exchanges, there needs to be additional NEPA compliance.

4. Roaring Fork River Basin/Arkansas River Issues.

- a) Proposed Fryingpan-Arkansas Project Legislation: The Southeast Colorado Water Conservancy District (Southeast) has proposed federal legislation to approve reoperation of Pueblo Reservoir and a feasibility study of a Pueblo Reservoir enlargement. To protect the West Slope from enlarged transmountain diversions, the River District is negotiating MOAs with Twin Lakes and Colorado Springs (to address the Homestake Project).
- b) The Bureau of Reclamation has initiated an EIS on a proposal by CSU to build a pipeline from Pueblo Reservoir up Fountain Creek to Colorado Springs and, in a separate NEPA process, its preparing an EA to approve the long term use of Fry-Ark facilities by Aurora. Aurora uses “if and when” storage in the Fry-Ark Project to manage its native Arkansas River supplies.
- c) Ruedi Reservoir: The River District has a contract request pending for additional Ruedi water, perhaps up to 8,000 a.f. The River District staff needs to carefully evaluate exactly how much water to purchase and make a recommendation to the Board. Separately, the River District is continuing to work with the Ruedi Water & Power Authority and the Roaring Fork Conservancy to address future operations and environmental issues at Ruedi Reservoir.

July 2004 Update

As of July 7th, a contract from Reclamation for an additional 5,000 a.f. of Ruedi Reservoir water was in the mail. About 5,600 a.f. of Ruedi water is still available for contract purposes from Reclamation. The District’s Enterprise now has a total of 6,730 a.f. of Ruedi water under contract.

October 2004 Update

Dave Merritt is working with the U.S. Fish & Wildlife Service to resolve the remaining issues so that Reclamation can finalize and send us the 500 a.f. contract.

- d) Southeast has an application pending for enlarging the water decrees for the Boustead Tunnel, the River District staff is working on this

case with the primary goal of protecting Ruedi Reservoir. There are several other project operational issues such as the Twin Lakes exchange that need to be addressed as well.

April 2004 Update

Arkansas River issues have been getting a lot of staff attention lately. Colorado Springs, Pueblo and the Pueblo Water Board have now reached an agreement on instream flows below Pueblo Reservoir. What this agreement does is provide for Pueblo's support for the proposed federal PSOP legislation. What Pueblo believes it will get in return is final approval of its RICD application. To our knowledge, Southeast and the CWCB have not yet approved or supported the flow agreement. The CWCB's ultimate approval of the RICD is critical. Aurora may be opposed to the agreement because it squeezes them out of the exchange capacity. Our concern is that the agreement may limit Colorado Springs, Pueblo and Southeast's ability to reuse available transmountain effluent. We have a lot more to discuss during General Counsel's report. We also have a meeting to discuss these issues with Aspen and Pitkin County on May 4th.

July 2004 Update

Since the April meeting, Fryingpan-Arkansas Project issues have become considerably more complicated and more contentious. There are three interrelated issues:

- Two water court applications by Southeast, one to make a portion of the first enlargement absolute, the second for a second enlargement.
- Southeast has proposed federal legislation to authorize the Preferred Storage Option Plan (PSOP) and feasibility studies for the enlargement of Pueblo and Turquoise Reservoirs.
- The Fryingpan-Arkansas Project Operating Policy includes a provision for a Twin Lakes exchange. The Twin Lakes Canal Company recently refused to operate the exchange triggering a curtailment of the Fry-Ark Project water rights on Hunter Creek.

October 2004 Update

The River District staff and special counsel David Hallford are continuing to spend considerable time on the Fryingpan-Arkansas issues. The River District Board addressed these issues during the budget workshop and passed a motion identifying the

conditions under which it would support the pending PSOP legislation. We've made some progress with Colorado Springs on an intergovernmental agreement and we're making progress on the Boustead Tunnel cases, but addressing the Twin Lakes exchange remains very challenging. More information on this issue is included in General Counsel's report and my negotiations report.

B. Woford Mountain Reservoir Operations.

Our priorities for 2004 include:

1. Tamarisk control around the perimeter of the reservoir.
2. An engineering evaluation of the potential to enlarge the Woford Mountain Reservoir active storage pool.
3. Continued evaluation of the hydroelectric potential at the project. This matter is related to and complicated by the proposed enlargement.
4. The technical staff is completing a water supply and operations model tool. We are using this model to evaluate water marketing decisions, hydroelectric potential and the yield available to an enlargement.
5. A goal of the River District technical staff is to get a better handle on runoff forecasting on Muddy Creek and throughout the West Slope. A proposed contract is on the Enterprise agenda for Board consideration.
6. The District needs to address a long term staffing strategy that includes future needs such as our obligations at Elkhead Reservoir and a hydroelectric plant.

April 2004 Update

We're near completion of an engineering report on the enlargement of Woford Mountain Reservoir. An enlargement of about 3' is feasible, but there are tradeoffs and the available water to fill the enlargement during dry years is marginal. I recommend that the Water Supply Projects Committee meet with the staff and consultant at the Woford Project site. We're checking on the availability of committee members for an April 29th meeting. Jim Pearce has prepared a more detailed memo.

July 2004 Update

The Water Supply Projects Committee met on April 29th at Woford Mountain Reservoir to review the enlargement engineering report and tour the dam. The Committee voted to allow the FERC study permit to expire, but

to be ready to file for a new study permit if necessary. The Committee also voted to proceed with the enlargement of Woford Mountain Reservoir to the largest practical extent. The Board ratified these recommendations in May.

C. Other Colorado River (Division 5) Activities.

1. Green Mountain Reservoir.

In 2003, the River District filed a lawsuit against Reclamation over its decision to allocate the full Heeney slide shortage to the West Slope pool. The River District technical staff is providing support as requested.

- a) Although Reclamation has “eased” the slide operational restrictions, it has not yet identified and implemented a long term solution.
- b) There remains a number of Blue River Decree accounting issues that need to be resolved. After the River District filed its lawsuit, Reclamation stopped participating in the “SWAT” team forum that was addressing those issues. Ultimately, these issues will have to be addressed.

July 2004 Update

At the April meeting, we discussed the issue of when the Green Mountain Reservoir storage right (for 154,685 a.f.) should be considered full. On July 7th, State Engineer Hal Simpson adopted a policy, but made it applicable for 2004 only. The SEO suggested a committee of affected water users get together and work out a more permanent solution.

October 2004 Update

A committee headed by Division 5 Engineer Alan Martellaro is meeting on a monthly basis to try and reach a permanent resolution on this matter. At the first meeting in late August, Reclamation presented its concept of a “split-the-river” administration. There will be a meeting on October 6th. We will have additional information at the Board meeting. It will probably be during executive session.

- c) The Division 5 Engineer’s office has taken the lead on addressing what is referred to as the 1977 to 1984 SLOT team effort. The River District staff is providing technical support.

2. River Operations.

The River District technical staff will continue to participate in, and take a leadership role in addressing river operations issues. The primary effort is during the May through September period.

April 2004 Update

If 2004 is as dry as forecast, these river operations meetings are going to be very important. With the Shoshone Power Plant shutdown for maintenance until mid-June, the Grand Valley entities are likely to exercise the “no Shoshone call” provisions of the check case. This means that we are likely to face new river administration issues, so good communications will be critical.

July 2004 Update

Because of contractor delays, the maintenance shutdown of the Shoshone Power Plant extended into mid-July. On July 7th, the flow of the Colorado River at Dotsero (Shoshone) had already dropped to about 1,000 cfs. Because flows in the Roaring Fork River were still about 1,400 cfs and flows at Cameo about 2,800 cfs, there was no Cameo call. This year was a demonstration of the impacts of allowing the Shoshone call to be reduced during the descending limb of the runoff.

Although Green Mountain Reservoir legally filled, 2004 will probably set a record for the Green Mountain substitution. We expect that Denver and Colorado Springs will owe Green Mountain Reservoir about 34,000 a.f. of water. Denver Water will likely deplete its Woford account in 2004. Dave Merritt and I are concerned about another large drawdown at Woford Mountain. We plan on maximizing the use of our Ruedi water to the extent that we can.

Exxon has again offered to convey the use of its Ruedi Reservoir water to the River District. Because Green Mountain filled, there will be no contract shortages. The primary beneficiary of the Exxon water will likely be the 15 Mile Reach flows (which will also benefit water quality in the Grand Valley and reduce the amount of checking necessary by OMID).

October 2004 Update

The summer of 2004 on the West Slope has generally been drier than average. The demand for reservoir water has been very high. The Grand Valley has been carefully managing releases from the Historic Users Pool (HUP) to insure that they do not run out of water before the end of the irrigation season.

Woford Mountain Reservoir will be drawn down to about 25,000 to 27,000 acre feet. We're concerned about 2005. We could be entering into another dry year with very diminished storage levels.

3. Statewide Water Supply Initiative (SWSI).

The River District technical staff is participating in the SWSI process. Currently, it is not a large time commitment, but if projects or recommendations begin to surface later this spring or summer, it could take more staff time.

October 2004 Update

The SWSI process is coming to a completion. The basin roundtable meetings are complete. The CWCBC will be discussing the draft final report at its November meeting.

A number of West Slope folks were surprised by the last minute inclusion of five possible transmountain diversion projects: Green Mountain Reservoir Pumpback, Ruedi Reservoir Pumpback, Blue Mesa Reservoir Pumpback, Big Straw and a Yampa River to North Platte and South Platte Projects.

4. Other Activities.

- a) Implementation of Recovery Program measures: CFOPS, CROPS installation of fish screens and building fish passage structures.
- b) Technical support for other legal cases and diligence filings in Division 5.
- c) A group in the Grand Valley is discussing the formation of a new conservancy district in Mesa County. They may request River District help.
- d) Two Board members and staff participate in the Bluestone Management Committee activities.

V. GUNNISON RIVER BASIN ACTIVITIES

A. Aspinall Unit Operations.

1. Settlement of the Black Canyon Reserved Rights Case.

A number of issues are still unresolved primarily related to the federal lawsuit filed by the environmental groups to block implementation of the April 2003 agreement.

2. Preparation of the Aspinall Unit EIS.

Reclamation is scheduled to commence an EIS on the operation of the Aspinall Unit in early 2004. The EIS process through a record-of-decision is expected to take about four years. The most critical phase of the EIS process is scoping and determining the EIS baseline conditions. During this phase, a high priority for the River District staff will be to coordinate scoping comments and the development of an EIS baseline acceptable to the Gunnison River Basin.

April 2004 Update

The River District has submitted scoping comments to Reclamation. At the April meeting, the Board needs to consider whether or not the District should request cooperating agency status. We will also discuss focusing our recovery program/endangered species efforts on specific Gunnison Basin issues.

July 2004 Update

At the April 2004 Board meeting, the Board voted to ask for cooperating agency status. At the request of Reclamation, the River District has sent a letter to Reclamation committing to cooperating agency status. No cooperator meetings have been held and none are anticipated until about September.

October 2004 Update

The Bureau of Reclamation is trying to schedule a cooperators meeting for late October or early November. In addition to the federal agencies, the cooperating agencies are Colorado Department of Natural Resources (State Engineer, CWCB and CDOW), the Southwestern Colorado Water Conservation District, River District and the Platte River Power Authority (Platte River will represent CREDA).

Reclamation is off to a slow start because it has a hard time reaching an agreement with the Western Area Power Administration (WAPA) on how to proceed. WAPA and CREDA have made it clear that they will be very hard-nosed on operational changes that will impact power generation at the Aspinall Unit, including upstream depletions.

3. Reservoir Operations Meetings.

The River District staff will participate in the quarterly Aspinall Unit operations meetings and Taylor Park operations meetings.

April 2004 Update

The next quarterly Aspinall Unit meeting is scheduled for Thursday, April 22nd. The good news is that the forecast for the Gunnison River Basin is not anywhere near as bad as 2002. The snowpack in the San Juan drainage is

actually the best it's been since 2001. The Taylor Park Reservoir first fill account is full, so all remaining storage in Taylor Park will accrue to the benefit of Upper Gunnison's second fill account and Ridgway Reservoir should fill and spill.

July 2004 Update

The hydrologic conditions in the Gunnison River Basin in 2004 have been better than 2002 or 2003. Blue Mesa Reservoir has a total of about 750,000 a.f. in storage (out of a total capacity of 940,000 a.f.). Ridgway, Paonia and Silverjack Reservoirs all spilled and Upper Gunnison accumulated about 50,000 a.f. of second fill water in Taylor Park Reservoir.

October 2004 Update

We made it through the irrigation season without a Gunnison Tunnel call and because of construction on the Redlands fish screen, we don't expect a winter call. The Gunnison River Basin will go into the 2005 winter in slightly better shape than the Colorado River Basin.

B. Gunnison River Basin Water Administration.

1. Basin Administration Accounting; The River District staff will continue to work with the Division 4 Engineer, the Upper Gunnison River Water Conservancy District (Upper Gunnison) and other water users to implement and improve the basin accounting spreadsheet.
2. Subordination Accounting; Under the subordination agreement, the River District and Upper Gunnison submit annual reports to Reclamation on the amount of water consumed under the Aspinall subordination agreement.
 - a) The River District and Upper Gunnison have filed an application in the water court to adjudicate the subordination agreement.
3. SWAT 4; The River District staff will continue to participate in what is referred to as the SWAT 4 process. SWAT 4 meets periodically to address water rights administration/basin big picture issues.
4. Redlands Diversion Dam; In 2003, the Division 4 Engineer officially designated the Redlands Diversion Dam as a critical structure. This is a very necessary consequence of river basin administration. It means that augmentation plans (for new non-exempt wells for example), must replace depletions against a downstream Redlands call.

C. Gunnison River Basin Water Supply Issues.

1. The River District staff and Board are both participating in the Division 4 SWSI process. SWSI may present an opportunity to develop a long term solution to the winter Redlands call. In 2003/2004 a one year agreement was again necessary to keep the call off the river. We believe that the SWSI process should include discussion of a Gunnison River Basin water bank.

April 2004 Update

In hindsight, our decision to enter into an agreement to limit the Redlands call to 600 cfs from November 1, 2003 through April 2004 was the right decision. There were many days in December, January and February where this agreement removed a river call. We have not yet completed an analysis of the water benefits, but we believe it may be substantial. Completing the Taylor Park Reservoir first fill by late March is an example of the benefits.

July 2004 Update

During the winter of 2004/2005, the Recovery Program will be installing a fish screen on the Redlands diversion dam. This will limit the potential for a Redlands winter call.

2. The River District is working with North Fork interests to identify sources of water that could be used for augmentation purposes. A small enlargement of Overland Reservoir is possible. We are also cooperating with the Bureau of Reclamation and North Fork Water Conservancy District to identify solutions or alternatives to the siltation of Paonia Reservoir. The reservoir is silting at about 100 a.f. per year.

October 2004 Update

North Fork Water Supply

North Fork water interests have suggested that the current water supply investigations be expanded to include reservoir sites on Anthracite Creek. In the past, Reclamation examined reservoir sites on Anthracite Creek. The water supply on Anthracite Creek is good, but the geology is very challenging.

Lake San Cristobal

Hinsdale County has hired Ralph Grover as a consultant to see if he can put together a consensus package on Lake San Cristobal. The lake was formed by a landslide (about 1,000 years ago). The lake has been outfitted with a crude outlet works. The package Hinsdale County is pursuing would involve using the top two feet of Lake San Cristobal as storage, improving the outlet works and improving stream flows in the Lake Fork.

D. Gunnison River Basin PBO.

The development of a Gunnison River Basin PBO will be coordinated with the preparation of the Aspinall Unit EIS. Tom Pitts has written a draft MOU to document the PBO process. This MOU will be discussed by the CWCB at their January meeting.

April 2004 Update

As I have previously mentioned, Interior has decided its agency cannot sign the proposed MOU, so Tom Pitts is working on an alternative.

The PBO will have to address some difficult issues, we expect it will require a number of difficult meetings (just as the Yampa and Colorado River PBOs did). Among the difficult issues the PBO must address are:

1. Making the interim Redlands fish ladder agreement permanent. Operation of the fish ladder when combined with the need to protect the Redlands water right requires a lot of water, perhaps over 100,000 a.f. of Blue Mesa water in dry years.
2. Provide a source of water for the Redlands fish screen.
3. Will Aspinall Unit releases continue to cover the federal Dolores Project? The Dolores Project is a transbasin diversion, the project return flows accrue to the San Juan River Basin. The current Dolores Project biological opinion relies on the Blue Mesa Reservoir as the reasonable and prudent alternative.

April 2004 Update

Phillip Saletta, who previously worked as a water manager for Colorado Springs Utilities, has been hired as the new manager by the Dolores Project.

July 2004 Update

There has been little additional discussion or progress on the Gunnison Basin PBO. Reclamation is still considering all options and how the Aspinall EIS and PBO will fit together.

VI. YAMPA AND WHITE RIVER BASINS

A. Enlargement of Elkhead Reservoir.

Our major priority in the Yampa River Basin continues to be completing the necessary agreements needed to proceed with the enlargement of Elkhead Reservoir.

1. Dan Birch is spending considerable time on completing a series of agreements with Reclamation, the CWCB and the Colorado Department of Natural Resources that will finalize the financial arrangements and provide for the long term operation of the fish pool.
2. A second agreement, which is complicated, is an operational agreement among Craig, the River District and the Yampa Partners. This agreement will provide how the enlargement and existing reservoir are operated.
3. On a parallel track, the U.S. Fish & Wildlife Service is completing a FONSI on the Yampa River Management Plan. Once the FONSI is issued, the River District will apply to the Corps of Engineers for a 404 permit to enlarge the reservoir. This should take about four to six months.
4. Once we've made sufficient progress on the completion of the operational and financial agreements, the staff will recommend to the Board proceeding with final designs and specifications.
5. As we get closer to project approval and construction, I think it's important that the River District step up its public involvement program. I suggest the Board hold an open house and project tour sometime during the summer of 2004.

April 2004 Update

We believe that we have acceptable project agreements in place to proceed with the final engineering on Elkhead Reservoir. Dan Birch is preparing a detailed memo. Dan's efforts to work out these agreements have been magnificent.

July 2004 Update

The Elkhead engineering is underway. On June 30th the Water Supply Projects Committee met in Craig. It approved, in concept, the project agreements with the CWCB and federal agencies, toured the project site and held an open house with the community. We still expect project permits by about September.

October 2004 Update

The Elkhead enlargement train is moving. The Service has issued the first draft of the Yampa Basin PBO and a Finding of No Significant Impacts (FONSI) on the Yampa Plan. We're facing a number of critical decisions in the next several months. During the Enterprise meeting, Dan Birch and Ray Tenney will be presenting information on the project

design and the project schedule. The Board needs to discuss delegation of a number of decisions to its Water Supply Projects Committee.

B. Little Snake River Basin/Small Reservoirs.

1. Staff is continuing to work with the Wyoming Water Development Commission, the CWCB and the Little Snake Soil Conservation District to examine storage alternatives in the Little Snake drainage. There are several decent reservoir alternatives, the major question is financing. How can we tap into Wyoming's money?
 - a) The Yampa River Basin PBO covers the Little Snake drainage and covers over 20,000 a.f./year of future depletions.
 - b) Within Wyoming, Green River Basin (above Flaming Gorge) water users are considering the advantages of a PBO.
2. Three Forks Ranch is appealing the District Court decision dismissing its suit under the 1948 compact.

July 2004 Update

The 10th Circuit Court has now upheld the District Court ruling.

C. Other Water Supply Issues.

1. The River District staff is participating in SWSI. SWSI may provide a forum to identify projects that could provide additional storage. The Upper Yampa Water Conservancy District is considering the enlargement of Stagecoach Reservoir. It is also considering a project to enhance the yield available to YamColo Reservoir.
2. In late 2003, the City of Steamboat Springs filed for a recreation in-channel diversion (RICD) water right. Staff assumes the River District will file a statement of opposition. Hopefully, Steamboat Springs will consider alternatives to resolve this case in a manner acceptable to the Yampa River Basin.
3. The White River Basin appears to be the forgotten river basin within Colorado (perhaps that's to its advantage). We are continuing to work with Rio Blanco Water Conservancy District on sediment control strategies. We're also interested to see what storage proposal might be developed out of the SWSI effort.

REK/ldp